

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Annual Compliance Review, 2021

Docket No. ACR2021

CHAIRMAN'S INFORMATION REQUEST NO. 5

(Issued January 24, 2022)

To clarify the basis of the Postal Service's FY 2021 *Annual Compliance Report* (ACR), filed December 29, 2021,¹ the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than January 31, 2022.

Customer Access

1. In Docket No. ACR2020, the Postal Service described the procedures for conducting annual density testing of collection boxes.² Please confirm that the Postal Service followed the same procedures in FY 2021 for conducting annual density testing of collection boxes to determine which ones to remove.
 - a. If confirmed, please provide updated references to the Postal Operations Manual (POM) and other sources describing procedures for conducting annual density testing.
 - b. If not confirmed, please describe the procedures the Postal Service followed in FY 2021 for removing collection boxes. In the response,

¹ United States Postal Service FY 2021 *Annual Compliance Report*, December 29, 2021 (FY 2021 ACR).

² Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-23 of Chairman's Information Request No. 9, February 8, 2021, question 12.a.

please provide references to the POM and other sources describing these procedures.

2. Please provide a copy or link to the most recent version of the POM.
3. In Docket No. ACR2020, the Postal Service provided the number of post offices suspended during each fiscal year from FY 2017 through FY 2021.³ These numbers do not appear to match Library Reference 33 from Docket Nos. ACR2017, ACR2018, ACR2019, ACR2020, and ACR2021.⁴
 - a. Please fill in the table below from the Postal Service's current records regarding information on suspended post offices for FYs 2017 through 2021.

Fiscal Year	Suspended During Fiscal Year^a	Suspended and Reopened During Fiscal Year^b	Suspended in Prior Years and Reopened During Fiscal Year^c
2017			
2018			
2019			
2020			
2021			

^a This column lists the total number of post offices newly suspended during the applicable fiscal year. It does not include post offices suspended before or after the applicable fiscal year.

^b This column lists the number of post offices that were suspended during the applicable fiscal year and reopened during the same fiscal year.

^c This column lists the number of post offices that were suspended in prior fiscal years and reopened during the applicable fiscal year. *E.g.*, 10 post offices that were suspended during FY 2016 reopened in FY 2017.

³ Docket No. ACR2020, Responses of the United States Postal Service to Questions 1-7 of Chairman's Information Request No. 32, November 9, 2021, question 6.d.

⁴ See, e.g., Library Reference USPS-FY21-33, folder "USPS.FY21.33.Files," Excel file "PostOfficesFY2021.xlsx," tab "Suspension Summary."

- b. Please refer to the completed table provided in response to question 3.a., above. For the post offices listed in the “Suspended in Prior Years and Reopened During Fiscal Year” column, please provide the fiscal year the reopened post offices were originally suspended.⁵

Package Services

4. In the FY 2020 ACD, the Commission directed that “the Postal Service should continue to expend a reasonable amount of resources proportionate to the size of the [Bound Printed Matter (BPM) Parcels] product to explore and implement opportunities to reduce the unit cost of BPM Parcels and report on those opportunities and results in the FY 2021 ACR.”⁶ In the FY 2021 ACR, the Postal Service references a discussion related to USPS Marketing Mail Parcels and the possible shift of volumes from Network Distribution Centers (NDCs) to Processing and Distribution Centers (P&DCs) as something that “should have a beneficial effect on BPM Parcels unit costs as well.” FY 2021 ACR at 41; *see id.* at 30-31.
 - a. Please explain in detail the status of the Postal Service’s plans to shift the processing of BPM Parcels’ volumes from NDCs to P&DCs. Please also provide the timeline for the Postal Service’s decision making process as well as any available timeline for implementation of the shift.
 - b. Please explain in detail why the Postal Service believes that shifting the processing of BPM Parcels’ volumes from NDCs to P&DCs may reduce unit costs. Please also include any quantitative support or available

⁵ For example, of the 60 suspended post offices reopened during FY 2017, the response would indicate that 10 were suspended during FY 2010; 20 were suspended during FY 2013; 20 were suspended during FY 2014; and 10 were suspended during FY 2015.

⁶ Docket No. ACR2020, Annual Compliance Determination Report, Fiscal Year 2020, March 29, 2021, at 54.

workpapers supporting the Postal Service's hypothesis that unit costs may decline.

- c. Please describe in detail any other initiatives the Postal Service considered in FY 2021 to reduce the unit costs of BPM Parcels. Please also include the status of any such initiatives and the timelines for decision and implementation.
 - d. For any initiative described in the response to question 4.c. that the Postal Service ultimately determined not to implement, please describe in detail the Postal Service's reasons for not implementing the initiative.
 - e. For any initiative described in the response to question 4.c. that was implemented in FY 2021, please describe in detail the results of any such initiative. Please also include any quantitative support or available workpapers demonstrating how BPM Parcels' unit costs were affected by the initiative.
 - f. Please describe in detail any other initiatives the Postal Service is considering in FY 2022 to reduce the unit costs of BPM Parcels. Please also include the status of any such initiatives and the timelines for decision and implementation.
5. Please refer to Library Reference USPS-FY21-3 (Postal Workshare) and Docket No. R2021-2, Library Reference PRC-LR-R2021-2/4.⁷
- a. In Postal Workshare, Excel file "FY21.3 Worksharing Tables.xlsx," tab "Bound Printed Matter Flats," the formula in cell F7 is "=ROUND(1.976-1.329,3)." In Commission Workshare, Excel file "PRC-WORKSHARE-

⁷ See Docket No. R2021-2, Library Reference PRC-LR-R2021-2/4, July 19, 2021 (Commission Workshare).

PACKSERV-R2021-2.xlsx,” tab “Bound Printed Matter Flats,” the formula in cell F7 is “=ROUND(1.977-1.329,3).” Please reconcile this discrepancy.

- b. In Postal Workshare, Excel file “FY21.3 Worksharing Tables.xlsx,” tab “Bound Printed Matter Parcel,” the formula in cell F7 is “=ROUND(2.584-1.596,3).” In Commission Workshare, Excel file “PRC-WORKSHARE-PACKSERV-R2021-2.xlsx,” tab “Bound Printed Matter Parcel,” the formula in cell F7 is “=ROUND(2.585-1.596,3).” Please reconcile this discrepancy.

Special Services

6. Please refer to the Postal Service’s discussion in the FY 2021 ACR on Docket No. R2021-1’s factor changes for Additional Copies of AIS Products, specifically the \$14,491.13 in uncollected revenue. FY 2021 ACR at 43-44.
 - a. Please confirm that this revenue still remains uncollected.
 - b. If this revenue remains uncollected, please provide a timeline for collecting it. If the Postal Service does not intend to collect this revenue, please explain.

7. Please refer to Library Reference USPS-FY21-4, Excel file “FY2021 Special Services BD.xlsx” (Billing Determinants) and Library Reference USPS-FY21-42, Excel file “FY2021_RPWsummaryreport_public_ACR.xlsx” (RPW) and the following table:

Special Services	RPW	Billing Determinants	Difference (RPW - Billing Determinants)
Collect on Delivery	268,247	268,246 ⁸	1
Insurance	17,396,613	17,396,610 ⁹	3
Registered Mail	1,187,172	1,187,170 ¹⁰	2
Post Office Box Service	5,406,893	5,495,595 ¹¹	(88,702)

The table above reflects multiple discrepancies between the RPW volumes and the Billing Determinant volumes in the volume totals for the following services within the Special Services class: Collect on Delivery, Insurance, Registered Mail, and Post Office Box Service. Please reconcile these discrepancies.

Flats

8. Please refer to Docket No. ACR2020, Library Reference USPS-FY20-45, December 29, 2020, folder “USPS.FY20.45.Flats.Public.Files,” “Paragraph (f) -- Operational Changes Report,” PDF file “FY20 Paragraph (f) Report.pdf,” at 2, where the Postal Service stated: “[i]n FY 2020, the headquarters team, sometimes joined by members of the flats mailing industry, worked together to identify potential initiatives to reduce costs and improve service.” Similarly, refer to Library Reference USPS-FY21-45, December 29, 2021, folder “Rule 3050.50

⁸ This number is calculated by taking the total of Billing Determinants, tab “F-2 COD,” cell G21, and adding the total for cell G26.

⁹ This number is calculated by taking the total of Billing Determinants, tab “F-3 Insurance,” cell G64, and subtracting the total for cells G60 and G61 from it.

¹⁰ This number is calculated by taking the total of Billing Determinants, tab “F-6 Registered Mail,” cell G37, and adding the totals for cells G39, G41, and G43.

¹¹ This number is calculated by taking the total of Billing Determinants, tab “F-4 PO Boxes,” cells T9 through X16 (Excluding Caller Service and Reserve Number).

Flats,” folder “Paragraph (f) -- Operational Changes Report,” PDF file “FY21 Paragraph (f) Report.pdf,” at 2, where the Postal Service states: “[i]n FY 2021, the headquarters team, sometimes joined by members of the flats mailing industry, worked together to identify potential initiatives to reduce costs and improve service.”

- a. Please provide the dates of the meetings in FY 2021 where the headquarters team was joined by the members of the flats mailing industry, along with the names of the companies/organizations represented at those meetings.
- b. Please discuss in detail the suggestions provided by members of the flats mailing industry to the headquarters team in FY 2021 on potential initiatives to reduce costs and improve service.
- c. Please indicate whether the suggestions discussed in question 8.b. are different from the suggestions provided during similar meetings in FY 2020.
- d. Please provide meeting minutes, memoranda, reports, or other materials documenting the level of cooperation between the Postal Service’s headquarters team and the flats mailing industry.
- e. Please describe in detail any discussion(s) on mail preparation issues including, but not limited to, the integrity of:
 - i. Bundle straps
 - ii. Mail sacks
 - iii. Shrink-wrap
 - iv. Paper quality

- f. Please discuss in detail major concerns or issues raised by representatives of the flat mailing industry that were not included in the discussion of question 8.b.
- 9. Please refer to Library Reference USPS-FY21-45, folder "Rule 3050.50 Flats," folder "Paragraph (e) -- Pinch Point Reports," folder "e.9 Trend Narrative.PRC.LR.9 Update," PDF file "FY21 PRC Rule 3050.50(e.9) Narrative.pdf," at 1 where the Postal Service states "[t]he Postal Service continues to utilize the Mailer Irregularity Application, which identifies mail irregularities such as mail with preparation and/or quality issues."
 - a. Please discuss the impact of this application on bundle breakage given that bundle breakage percentage has been increasing since FY 2016.¹²
 - b. Please discuss the effectiveness of the communication for mailer irregularity reports between the Postal Service and the flat mailing industry. Please discuss the receptiveness of mailers to pursue corrective actions.
 - c. Please discuss additional initiatives the Postal Service plans to undertake or is currently undertaking to lower the incidence of bundle breakage.
 - d. Please detail any additional incentive(s) the Postal Service can accord mailers to reduce the incidence of bundle breakage.
- 10. Please refer to Library Reference USPS-FY21-45, folder "Rule 3050.50 Flats," folder "Paragraph (f) -- Operational Changes Report," PDF file "FY21 Paragraph (f) Report.pdf," at 4, where the Postal Service states: Flats Sequencing System (FSS) "delivery point compression was implemented in targeted sites for optimization of sort programs to reflect FY 2021 volumes. Compression removes

¹² See Library Reference USPS-FY21-45, file "Rule 3050.50 Flats," file "Paragraph (e) -- Pinch Point Reports," file "e.9 Trend Narrative.PRC.LR9 Update," Excel file "CH 6 Data and Tables FY21.PRC.LR.9 Update.xlsx," worksheet "VI-3 Bundle Breakage."

delivery points with little to no volume from the FSS sequencing but still sorts them to the carrier. Reducing the number of delivery points on FSS sort programs allows sites to process more FSS volume within the same operating window.” Please also refer to Library Reference USPS-FY21-45, folder “Rule 3050.50 Flats,” folder “Paragraph (b) -- Financial Report,” Excel file “FY21.Rule.3050.50.Para.B.xlsx,” tab “Item b6” that shows an increase in FY 2021 in the percentage of destinating FSS not finalized on FSS equipment

- a. Please confirm that there is some correlation between delivery point compression and the increase in the percentage of destinating FSS not finalized on FSS equipment. If confirmed, please provide the results of any available quantitative analysis illustrating such correlation. If not confirmed, please explain why the percentage of destinating FSS not finalized on FSS equipment is steadily increasing.
 - b. Please explain why the Delivery Point Sequencing percentage of FSS mail keeps declining.
11. Please refer to Library Reference USPS-FY21-45, folder “Rule 3050.50 Flats,” folder “Paragraph (f) -- Operational Changes Report,” PDF file “FY21 Paragraph (f) Report.pdf,” at 5, where the Postal Service states: the Automated Flat Sorting Machine (AFSM) “certification process was initiated in FY 2020, but was not completed and did not continue into FY 2021. The certification process is intended to impact cost and service performance by reducing unnecessary work hours, maximizing equipment utilization, improving flow of flats volume to reduce opportunity for error, and ensuring proper and continued maintenance of equipment.”
 - a. Please explain why the AFSM certification was not completed in FY 2020 and did not continue into FY 2021.

- b. Please provide an estimate of the negative cost impact that resulted from cancellation of the AFSM certification process. If such impact cannot be quantified, please explain.
- c. Please discuss in detail the service performance implications that resulted from cancellation of the AFSM certification process.
- d. Please provide a detailed plan, if any, for reinstatement of the AFSM certification process. If this plan does not exist, please explain.

By the Chairman.

Michael Kubayanda